Book 2010 Page 728
Document 2010 728 Type 06 018 Pages 7
Date 3/12/2010 Time 3:35:01PM
Rec Amt $39.00

DEBORAH L PEYTON, RECORDER/REGISTRAR
DELAWARE COUNTY IOWA

(Recorder's Cover Sheet)

JFK **INVESTMENT AGREEMENT**

Preparer information: *(name, address & phone number)*

Algae Energae, LP
Osmund T. Jermeland
9 Plaza Drive, Suite 6
Clear Lake, IA 50428

Taxpayer information: *(name & complete address)*

Permeate Refining, LLC
Randy Less
205 Locust Street
Hopkinton, IA 52237

Return Document to: *(name & complete address)*

and Ø. Algae Energae, LP
PO Box 850
Clear Lake, IA 50428

Grantors:

Permeate Refining, LLC
Randy Less
205 Locust Street
Hopkinton, IA 52237

Grantees:

Algae Energae, LP
Osmund T. Jermeland
9 Plaza Drive, Suite 6
Clear Lake, IA 50428

Legal Description is located on page: 2

Document or instrument number of previously recorded documents:

INVESTMENT AGREEMENT

This Investment Agreement, made by and between Permeate Refining, L.L.C., herein referred to as "Permeate", an Iowa limited liability company, with its principal place of business located at 205 Locust Street, Hopkinton, IA 52237, and Algae Energae, L.P., an Iowa limited partnership, with its principal place of business located at 9 Plaza Drive, Suite 6, Clear Lake, IA 50428, both herein referred to collectively as "the Parties."

Whereas, Permeate is a single member limited liability company with all currently issued and outstanding membership units owned by the Randy Lee Less Revocable Trust of Hopkinton, IA; and,

Whereas, Permeate owns an ethanol processing plant and equipment in Hopkinton, IA, situated on property described as: Lots One (1), Two (2), Three (3), Four (4), Five (5), and Six (6), Block Five (5), H.A. Carter's Addition to Hopkinton, Iowa, according to Plat recorded in Book E.L.D, Page 529 per Plat recorded in Book 2003 Page 3013, situated in Delaware County in the State of Iowa, said property having an appraised depreciated value of $3,100,000 (the value of which is based upon a certification of value by a certified valuation methodology not inconsistent with GAAP rules and guidelines and/or qualified PCAOB auditor whose credentials allow for valuation and/or certified commercial appraiser), which property is suitable for use as an ethanol refinery with capacity of 3,000,000 gallons production per year; and,

Whereas, Randy L. Less has developed and owns processes and methods for conversion of a variety of low-value and/or waste materials into fuel ethanol; and,

Whereas, Randy L. Less agrees to irrevocably transfer to Permeate all owned and developed processes and methods for conversion of a variety of low-value and/or waste materials into fuel ethanol so owned and developed by Randy L. Less; and,

Whereas, Permeate currently has at least two idled waste-to-ethanol construction projects (one in Iowa, one in Minnesota) which, if qualified through this agreement, relative to capital supplied by this agreement, shall become project assets of Permeate and subject to this agreement; and,

Whereas, Algae Energae, LP desires to make an investment in Permeate and to gain certain rights to facilitate commercial development of ethanol production processes and methods of Permeate;

Whereas, Randly L. Less agrees to form a Board of Directors for Permeate within forty-five (45) days of the signing of this agreement with one Board member each being chosen from Permeate and one from Algae Energae, LP. The specific obligations, responsibilities, duties, fiduciary roles, insurance, the length of term of service of each Board Member, and the specific number and outline for expansion of Board Members, shall be defined and appended to the Operating Agreement as an Amendment to the Operating Agreement. The definition and creation of the Board shall be done in such manner as being in compliance with general business practices, securities laws and regulations, Iowa State laws and regulations, and membership voting rights and obligations for limited partnership companies.

Now, Therefore, Permeate and Algae Energae, LP agree as follows:

1. **Investment**. Algae Energae, LP will make an investment in Permeate in the sum of $500,000, payable as follows:

a. An initial payment of $100,000 will be made by September ___, 2009, by which time the Parties shall have signed this Investment Agreement.

b. The balance in the sum of $400,000 shall be made in installments as follows: 1) $50,000 due on September 30, 2009; 2) $75,000 due on October 30, 2009; 3) $137,500 due on November 31, 2009; and, 4) the remaining $127,500 to be paid on or before December 31, 2009. Payments may be made sooner by Algae Energae, LP than this schedule so describes.

c. The Parties agree that each party shall pay an additional $50,000 into an unrestricted Operating Account for Permeate by September 30, 2009 which payment shall be in addition to payments set forth in Section 1.a. and 1.b., above. Algae Energae, LP shall make its payment directly to Permeate which payment shall be deposited into the Operating Account by September 30, 2009. Notwithstanding this deposit obligation by Algae Energae, LP, Algae Energae, LP will only be responsible for 49% of the operational expenses of the plant facility commencing on the date when the plant facility becomes operational. Algae Energae, LP reserves the right to speed the process of capital contributions in the event such timing results in improved revenue efficiency of Permeate.

2. **Consideration**. In consideration of the payments to be made by Algae Energae, LP, Permeate will issue membership units to Algae Energae, LP in an amount representing 49% (forty-nine percent) ownership of Permeate. The value of the "49%" share shall equal the $550,000.00 total investment by Algae Energae, LP. Upon payment of each investment in Permeate, Algae Energae, LP shall be issued a corresponding percentage of membership units in Permeate so that when all payments have been made to Permeate in the total sum of $550,000 this shall correspondingly equal 49% (forty-nine percent) of the outstanding issued membership units in Permeate. The parties agree that in order to achieve this investment ownership by Algae Energae, LP 1,122,450 membership units shall be issued and outstanding at the initial value of $1.00 per unit. The units shall be issued as follows: (a) 550,000 membership units shall be issued to Algae Energae, LP and, (b) 572,450, membership units shall be issued to Randy L. Less as Trustee of the Randy Lee Less Revocable Trust. Each dollar invested in Permeate is irrevocable and cannot be rescinded by Permeate. Such issued membership units, and ownership thereof, shall be governed by the Operating Agreement of Permeate and include proportional rights and interest in property, plant, equipment, and intellectual property as provided by the Operating Agreement including, but not limited to, proprietary trade secrets now or hereafter in possession of Permeate.

3. **Failure To Pay**. In the event that Algae Energae, LP shall fail to make full and complete payment on timely basis of the amounts due as provided in Section 1.b. and 1.c., above, Permeate shall have the right to terminate this Investment Agreement upon written Notice to Algae Energae, LP. Algae Energae, LP shall have up to sixty (60) days to bring the expected investment agreement into compliance to meet the original terms of this agreement in the event there is a perceived failure on the part of Permeate to bring the ethanol plant into full ethanol production ("full" ethanol production mode defined as 40% of maximum expected capacity of the plant as represented by Permeate to be three (3) million gallons per annum). This sixty day time frame will also be afforded Permeate to bring the ethanol plant into full production and/or if necessary, financial remedies shall be determined in order to bring the ethanol plant into full production compliance. If for some currently unanticipated reason the plant cannot be brought into full production compliance by December 31, 2009, then Permeate and Algae Energae, LP will form a basis for re-negotiating the financial terms of this agreement whereas Algae Energae, LP will be offered the right to re-capitalize Permeate (bring additional assets into Permeate to obtain a more significant operating stake (not excluding a controlling interest) in order to bring the ethanol plant into full production compliance. Both Algae Energae, LP and Permeate agree to do all within their respective means to bring the ethanol plant into

full production compliance by December 31, 2009. If the plant is not in full ethanol production mode In the event this Investment Agreement is terminated, then, and in that event, all exclusive rights given to Algae Energae, LP in paragraph 5 in this Agreement shall be terminated. Membership units issued to Algae Energae, LP based on the investment monies paid by Algae Energae, LP and owned by Algae Energae, LP on the date of termination shall remain with Algae Energae, LP and it shall remain as a member of Permeate with its ownership interest respectively governed by Permeate's Operating Agreement.

4. **Commercial Development**. The Parties understand and agree that each member of Permeate shall apply commercially reasonable best efforts to advance the business interests of Permeate, specifically to include industrial scale validation of its proprietary intellectual property and thereafter to pursue its commercial development throughout the world. Each member of Permeate shall use the member's commercially reasonable best efforts to pursue patent protection of Permeate's proprietary processes and methods in consultation with each other.

5. **Role of Algae Energae, LP**. Permeate agrees that it will exclusively engage services and assistance of Algae Energae, LP in organization and financing of new business entities as may hereafter be created to commercialize ethanol extraction processes and methods of Permeate. The "exclusivity" of this arrangement, on any specific project and/or operation, can be waived by Algae Energae, LP in writing within ten business days of the request, either oral or written, by Permeate. Should Algae Energae, LP not respond in writing within five business days of such a request by Permeate, Algae Energae LP's rights in this regard shall be deemed as waived. This clause in no way shall inhibit Permeate from raising capital from alternate sources on its own, or through associated firms, banks, individuals, or corporations, but only as it applies to firms engaged in the act of "marketing" such services (the raising of capital) to the general public such as that in which Algae Energae, LP is engaged. The Parties further agree that in the event that Algae Energae, LP should decline to perform such services, or should fail to render such services in a timely and competent manner, then, and in that event, Permeate shall have the right to serve notice to Algae Energae, LP of intent to engage other services, and may engage such services no less than 30 days following such notice.

6. **Meetings**. Algae Energae, LP and/or its designated representative(s) shall be entitled to attend membership meetings of Permeate as now specified in the Operating Agreement of Permeate, and to vote the proportional interest of its membership units on any matter presented at the membership meetings of Permeate. Algae Energae, LP shall be provided a written agenda and a summary description of the agenda items that will be presented at the membership meetings of Permeate at least one week in advance of such membership meetings.

7. **Reports.** Algae Energae, LP shall receive a quarterly report from Permeate summarizing its business activities in the preceding quarter, such report to be in such verbal or written form as the Parties may agree.

8. **Form of Organization**. Permeate may elect to alter its form of legal organization in order to advance its business interests and/or legal affairs. In such event, the proportional ownership rights and interest of Algae Energae, LP shall be transferred to the successor entity and new form of organization.

9. **Dilution.** Algae Energae, LP agrees that Permeate may accept additional investment from others, and that the ownership interest of Energae may be diluted in the same proportion as the ownership interest of the Randy Lee Less Revocable Trust. In the event that Permeate shall seek to entertain an offer of investment from a third party, Algae Energae, LP shall have a "first right of acceptance" of the same terms for additional investment as may be offered by such third party and to make such additional investment in lieu of such third party. Permeate shall not dilute Algae Energae, LP's

percentage ownership interest in the company by issuing and/or offering for sale additional shares of stock without first offering to Algae Energae, LP the right to purchase a sufficient number of said shares to maintain its percentage of ownership. Algae Energae, LP shall exercise its right to purchase said additional shares within 30 days of the date said shares are offered to it for purchase or will be deemed to have waived their right to do so.

10. **Accounting and Audit.** Permeate agrees to account for financial and other transactions of its business in a manner consistent with good business practice, and to pay taxes and other obligations when due. An audit compilation of Permeate shall be made by a licensed Certified Public Accountant as soon as practical after the end of each fiscal year and shall be submitted to Algae Energae, LP. Algae Energae, LP, at its discretion, may demand a full audit of Permeate at the end of each fiscal year, the cost of which shall be paid equally by Permeate and Algae Energae, LP.

11. **Sale of Ownership Interest.** In the event that Algae Energae, LP shall desire to sell its membership shares in Permeate, Permeate shall have the first right to repurchase Algae Energae LP's units. Permeate shall have thirty (30) days to exercise the right of first refusal upon written notice of any sale or offer to purchase Algae Energae LP's membership shares. In the event, Permeate exercises this right then it shall purchase Algae Energae LP's membership shares in the company under the same terms of sale agreement offered to Algae Energae LP's by any third party. The pricing of these shares shall be no greater than the pricing of the shares so listed in this agreement for a period of twelve (12) months following the signing of this agreement. The shares can transfer for a value less than the share price listed in this agreement prior to or following the twelve months time limit. However, such re-pricing of the units shall be done in accordance with the current market, special circumstances, and/or an acceptable offer by Algae Energae, LP.

12. **Sale of Ownership interest**. Permeate represents and agrees that 49% of the current outstanding stock of Permeate will be owned by Algae Energae, LP. In the event that Permeate shall desire to sell its (Permeate's) membership shares to a third party, Algae Energae, LP shall have the first right to purchase Permeate's shares. Algae Energae, LP shall have sixty (60) days to exercise the right to purchase said shares with written notice Permeate of Algae Energae LP's intent to purchase Permeate's membership shares. The pricing of these shares shall be no greater than the pricing of the shares so listed in this agreement for a period of twelve (12) months following the signing of this agreement. The shares can transfer for a value less than the share price listed in this agreement prior to or following the twelve months time limit. However, such re-pricing of the units shall be done in accordance with the current market, a qualified commercial appraiser, special circumstances, and/or an acceptable offer by Algae Energae, LP.

13. **Dividends.** The Parties hereto agree that the Board of Directors of Permeate may declare dividends payable to each member of the company. Such dividends shall be distributed in the manner provided by law and the company's Operating Agreement.

14. **Amendment.** The terms of this Investment Agreement may be modified or repealed by written amendment approved in writing by both Permeate and Algae Energae, LP.

15. **Arbitration**. Permeate and Algae Energae, LP agree that any dispute between them arising out of this agreement shall be submitted to arbitration conducted under the then applicable provisions of the code of arbitration procedure of FINRA. Arbitration must be commenced within the applicable statute of limitations. The arbitration award shall be final and judgment may be entered on the award in any court, State, or Federal, having jurisdiction.

16. **Intent.** It is the intent of Permeate to immediately begin operation of the ethanol plant upon receipt of the initial down payment and operational capital such that the expectation is for the plant to be generating revenue from plant operations from the sale of ethanol within the next ninety (90) days.

17. **Permeate Operating Agreement.** The Parties hereto reaffirm the Operating Agreement of Permeate and by execution of this Agreement, each Party accepts the terms of the Operating Agreement and commits to be bound thereby as a member of Permeate Refining L.L.C.

17. **Settlement of Prior Obligations.** Randy L. Less, personally and as Trustee of the Randy Lee Less Revocable Trust, agrees to hold Algae Energae, LP harmless from any liens or encumbrances created, prior to the date of this Agreement, and affecting title to the real property owned by Permeate; and, to assume sole responsibility for settlement of any and all such liens and encumbrances which exist as of the date of this Agreement. This "hold harmless" obligation by Randy L. Less shall not apply to any liens or encumbrances created after the date of this Agreement which affect the title to any real property owned by Permeate. The Parties understand and agree that prior liens and encumbrances include the following:

    a. Book 2008, Page 3141, Recorder's Office of Delaware County, non-specific payment amount in favor of Fiberight, by Marty Rowlet of Shuttleworth and Ingersoll, Attorneys, Cedar Rapids, IA.
    b. D.C. Taylor, Mechanics Lien, LNCCV006527, in the amount of $16,558.81, plus interest and attorney's fees, dated Nov. 26, 2008.
    c. Newell Manufacturing (Fiberight), Hiawatha, Iowa, LNCV006604, Mechanics Lien, dated March 6, 2009.
    d. Tertivity, Cedar Rapids, IA (Fiberight), SCSC009570, Judgment, $1,123.14, dated May 2009.

18. **Entire Agreement**. This Agreement, along with any exhibits, appendices, addendums, schedules, and amendments hereto, encompasses the entire agreement of the parties, and supersedes all previous understandings and agreements between the Parties, whether oral or written. The parties hereby acknowledge and represent, by affixing their hands and seals hereto, that said parties have not relied on any representation, assertion, guarantee, warranty, collateral contract or other assurance, except those set out in this Agreement, made by or on behalf of any other party or any other person or entity whatsoever, prior to the execution of this Agreement. The parties hereby waive all rights and remedies, at law or in equity, arising or which may arise as the result of a party's reliance on such representation, assertion, guarantee, warranty, collateral contract or other assurance, provided that nothing herein contained shall be construed as a restriction or limitation of said party's right to remedies associated with the gross negligence, willful misconduct or fraud of any person or party taking place prior to, or contemporaneously with, the execution of this Agreement If any section, word, phrase, or portion of this agreement is not in compliance with securities regulations and or State and Federal laws, then those securities regulations and/or State and Federal laws shall take precedence over this agreement. Permeate and Algae Energae, LP reserve the right to agree to amend portions of this agreement that are not in compliance with any such regulations or laws with advice of legal counsel. No provision proposed to be altered, however, shall go against the original intent of this agreement as determined, if necessary, through arbitration.

Accepted and agreed this 3 day of September, 2009 by:

Permeate Refining L.L.C.

Randy L. Less,
Trustee of the Randy Lee Less
Revocable Trust

Algae Energae, L.P.

Osmund T. Jermeland, President

The construction of the evaporator will limit the production of the plant until it is fully operational

RL O.J.

DARRELL SMITH
Commission Number 741244
MY COMMISSION EXPIRES
6-14-2012

State of Iowa Cerro Gordo Co. SS

On this 11 day of March, 2010 before me, a Notary in and for said county, personally appeared Osmund J Jermeland to me personally known, who being by me duly Commissioned did say that that person is Osmund J. Jermeland of said Algae Energae L.P. and that said instrument was signed on behalf of the said Limited Partnership by authority of its board of (directors or trustees) and the said Notary acknowledged the execution of said instrument to be the voluntary act and deed of said (corporation or association) by it voluntarily executed.

SUSAN KAY HENDRIKSON
Commission # 167921
My Comm. Exp. 1-8-11

Susan Kay Hendrikson

State of Iowa, Cerro Gordo County

On this 11 day of March, 2010 before me, a Notary in and for said county, personally appeared Randy L. Less to me personally known, who being by me duly commissioned did say that that person is Randy L. Less of said Permeate Refining L.L.C and that said instrument was signed on behalf of the said Corporation by authority of its board of (directors or trustees) and the said Notary acknowledged the execution of said instrument to be the voluntary act and deed of said (corporation or association) by it voluntarily executed.

SUSAN KAY HENDRIKSON
Commission # 167921
My Comm. Exp. 1-8-11

Susan Kay Hendrikson